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January 15, 2003

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**EX PARTE – Via Electronic Filing**

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: CC Docket Nos. 01-338, 96-98, 98-147, 01-318, 98-56, 98-141

Dear Ms. Dortch:

On January 13, 2003, Mark Dinneen (of GCI), and Maureen Flood and I (on behalf of GCI), met with Lisa Zaina, Senior Legal Advisor to Commissioner Adelstein.

The substance of our discussion is summarized in the attached document. We also provided Ms. Zaina with documents previously filed in the record.

In accordance with FCC rules, a copy of this letter is being filed electronically in each of the above-captioned dockets.

Sincerely,

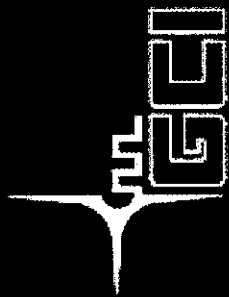
  
John T. Nakahata

JTN/krs  
Attachment



# *FCC Triennial Review – What's Necessary for Facilities-Based Competition*

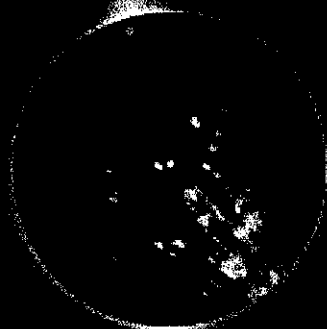




# Alaska

**1/5 Size of Contiguous U.S.  
Road system is the size of New Hampshire's**

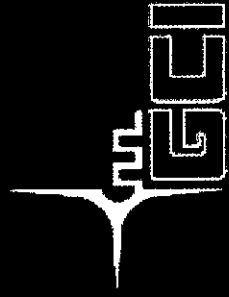


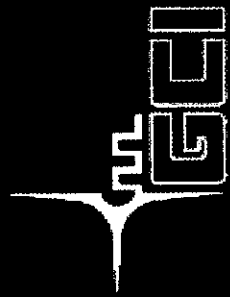


local



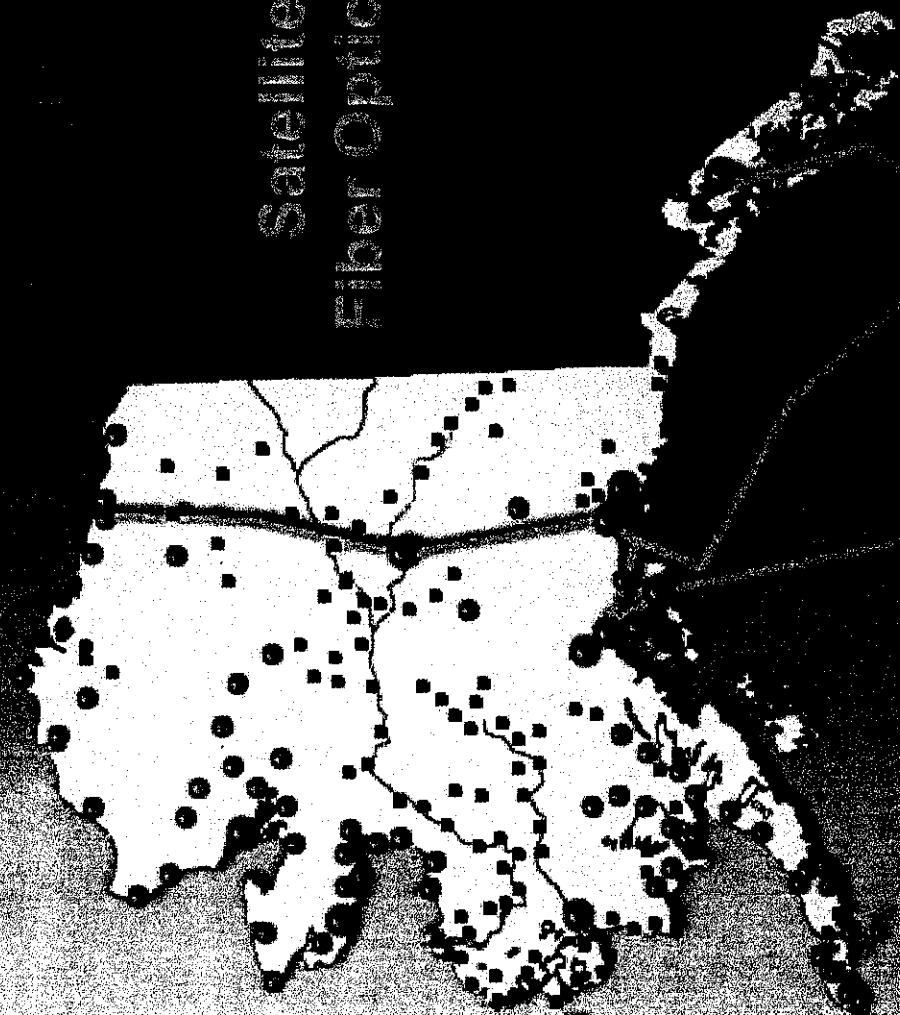
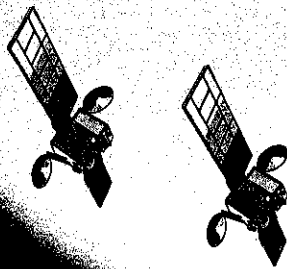
wireless

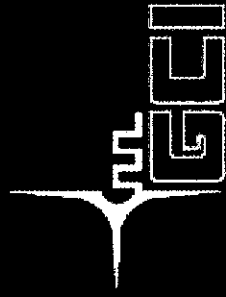




# GCI Services & Facilities

Satellites  
Fiber Optics





# GCI--Who We Are

## • 1996 Telecom Act Success Story

Facilities-based IXC

Facilities-based CLEC

CATV MSO

ISP (dial-up, cable modem, wireless, DSL)

## • Services in Alaska

IXC--45% market share

CLEC--45% in Anchorage (90% on UNEs);

21% in Fairbanks; 14% in Juneau.

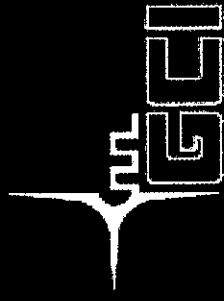
MSO--Passes 90% of HH in Alaska. 85% of Alaska HH have access to cable modems.

ISP--State's largest dial-up and hi-speed access provider; 285+ schools; 70+ clinics.

Hi-speed Internet access available to all

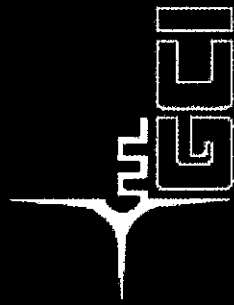
GCI-served communities by 2004 via

wireless (802.11), or cable modem.



## Entering Local Markets

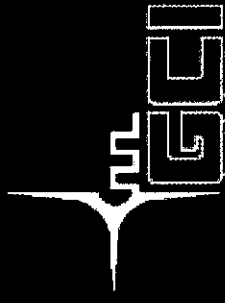
- Prefer own facilities. Investing in cable telephony.
- Use UNE loops until cable telephony, and where cable networks do not go (e.g. business areas).
- Use UNE-P where cannot access UNE loops.



# Barriers to Use of Own Loop Facilities

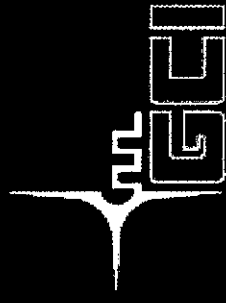
- Building access problems preclude expanding service to other buildings.
- In-building sub-loop unbundling necessary when conduits are full.
- Cable telephony -- Not yet a commercial, operational reality.





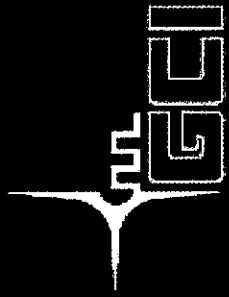
# UNE-L – When It Can Work (but it is hard)

- Loops – Must be actually available.
- Ordering & Provisioning –
  - Timely & Nondiscriminatory
  - Adequate Volumes at Reasonable Rates
- Collocation
- Transport



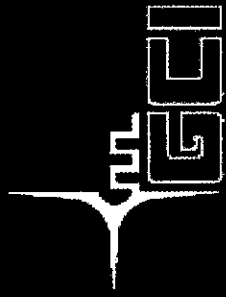
## Loops – Actual Availability

- UNE loops behind DLCs/concentrators cannot be accessed from the CO unless GR-303 compatible.
  - Feasible – GCI has implemented GR-303.
- LECs can't withhold loop equipment & services provided for retail affiliates (e.g. DAMLs, additional service drop).
- Conditioned loops are just loops, and need to be available for GCI to use with its own electronics.



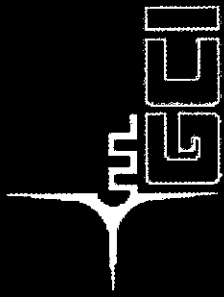
# Ordering & Provisioning – Must Be Timely & Nondiscriminatory

- Need adequate volumes at reasonable rates.
  - Alaska Commission found ACS discriminates.
  - Needed volumes will grow.
  - Alaska fees for loop cutover are \$9.56 (Fairbanks & Juneau) to \$22.25 (Anchorage).
- Discrimination is a big problem.
  - UNE and TSR orders were backlogged. Only relieved in response to regulators.
  - Ordering problems slow entry.



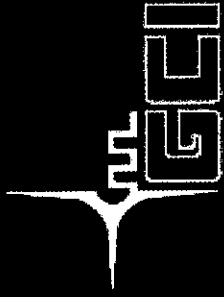
# Ordering & Provisioning – Monitoring & Enforcement

- Current rules are inadequate on monitoring and enforcement of ordering and provisioning requirements.
- Need to require that interconnection agreements contain definitions of parity and metrics.
- Need to require that interconnection agreements contain self-executing enforcement with liquidated damages (UNE Performance Measures NPRM). Today, obstruction & discrimination pay!



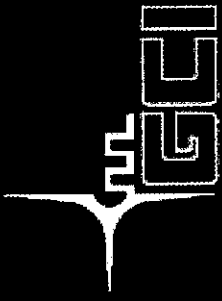
# Collocation & Transport – GCI's Advantages & ILEC Abuses

- GCI has its own fiber rings connecting LEC end offices with GCI's switch.
- Space and cost make collocation difficult & uneconomic in some locations, and collocation takes time.
- ILEC frustrates GCI fiber use by converting end offices to remotes (eliminating collocation for interexchange traffic).
- ILECs should be precluded from charging for unused IX entrance facilities when GCI uses own fiber and collocates.



# Non-Impairment for Switching – A Local Determination

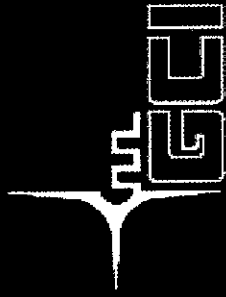
- Factual findings to support finding of non-impairment are highly localized, and cannot be made by the FCC on a nationwide basis.
  - Cutover volume/capacity varies with market size.
  - DSL/concentrators vary by market.
  - Ordering/provisioning are company specific.
- CLEC is impaired without unbundled switching when and where conditions not met.
  - Presumption should be impairment.
- Limit any changes in switching to top 50 MSAs.



# UNEs and Facilities Investment

- UNEs (including UNE-P) complement facilities investment, and allow facilities-based carrier to fill out its footprint.
- Hidden costs of dealing with ILEC mean CLECs will use own facilities whenever possible.
- UNEs are not "devaluing" GCI's facilities investments.

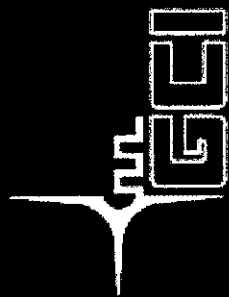




## ACS' Regulated Telephone Cos.

- Operating income from local telephone cos. is consistent 2000-2002 (annualized). Revenues increased even as retail lines were lost to UNE competition.
- ACS is losing money in competitive, non-regulated businesses such as Internet and Long Distance.
- ACS overpaid in its 1999 LBO by \$250M over book.





# Bankruptcy Entry Is Not Preventing ACS Into Bankruptcy

	2000	2001	2002 (ann.)	Change 1999-2002
	1,222	\$221	\$229	3.12%
	272,936	261,002	241,583	-14.25%
	39,221	49,062	60,504	114.54%
	129,460	332,923	327,161	0.48%